

European Union Update



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Agreements in Brief

European Union

The EU has decided to keep its controversial milk quota regime until at least 2008. Nonetheless, member countries have agreed to review the quota system in 2003 and could lead to its eventual removal. Introduced in 1984, the EU milk quota regime not only places certain restrictions on milk production, but also is criticized for increasing world milk prices.

European Union ~ Egypt

The EU and Egypt are expected to sign a trade partnership agreement before the month's end. The news comes after the two finalized the details for a partnership. It has been seven years since the first negotiations and reports indicate that all major obstacles have been worked out.

European Union ~ France ~ United States

For years the US has complained about EU aid given to Airbus, a French airplane producer. However, the US had been cautious to act for fear that European countries would not purchase US made planes. Recent gains made by Airbus have prompted the US to file a complaint with the World Trade Organization against both the EU and France in regard to the subsidies. The US

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calculates the subsidies to be \$22.6 million and fears that such continued assistance will sharply undercut prices, which will negatively impact US companies.

France ~ Germany ~ United Kingdom ~ Spain ~ Airbus

Airbus has until the end of the summer to explain how it will change to a limited company. France, Germany, the UK, and Spain, set the deadline in order to bring about progress before giving financial assistance to Airbus so it can develop the A3XX “super jumbo” aircraft. Airbus was supposed to become a limited company two years ago, but progress has been impeded by Aerospatiale Matra of France, DaimlerChrysler Aerospace (Dasa) of Germany, British Aerospace, and Casa of Spain, the four owners, arguing over the structure change.

United Kingdom ~ United States

The UK and the US were trying to conclude a new aviation agreement, known as the “open skies” agreement, by the end of the year, but now face further delay. The US government made the proposed alliance between British Airways (BA) and American Airlines (AA) contingent on a new agreement. Other US airlines have complained about BA’s and AA’s possession of a major portion of the take-off and landing slots at London’s Heathrow Airport. The airlines have requested that BA and AA give up some of the slots prior to any advancement with an alliance. A new agreement would give airlines from the two countries unrestricted access to each other’s airports, but both BA and AA have requested that an agreement be phased in over a period of several years. Unfortunately, the inability of BA and the UK government to decide the timeframe for which Heathrow Airport should become open to competition has further delayed talks.

Where did everyone go?

The year started out on a high note with the launch of the euro. A few months later significant problems and complications surfaced. Trade wars involving bananas and beef hormones loomed, the euro started to falter, and the situation in Serbia required NATO attention. To make matters worse, reports of corruption and mismanagement resulted in the *en masse* resignation of the EU Commission.

Who’s the leader?

The resignation of the EU Commission brought an abrupt stop to all new projects. And, September appears the earliest date a new Commission could be in office. The hold up is due to a decision by EU Parliament, the entity responsible for confirming a

new executive office, to not hold a special session prior to their scheduled meeting in September.

...the concern for the EU...

In addition to the frustrating 6-month delay, the EU is concerned with how quick the movement will be in September. Further delays could be caused by Parliament's objection of any of the candidates. A consequence could be the new EU leader coming into office just weeks prior to the December start of the next round of World Trade Organization (WTO) multilateral trade talks.

Apart from next WTO round of trade talks, the EU is forced to postpone all action since the EU Commissioners, who resigned in March, remain in office in a caretaker capacity. Working in this capacity means the Commission has no authority or legitimacy for dealing with member or foreign governments. Another implication is that needed internal reforms will not be addressed or enacted.

...worry for the EU Commission

For the outgoing commissioners, there is concern that member states will take advantage of the situation. The Financial Times article *EC: Still running on empty* reported that "Some of the outgoing commissioners fear there will be a huge temptation for governments to take advantage of the political vacuum in Brussels to bend EU rules." The incoming commissioners will have lofty expectations to live up to despite the scandal created by their predecessors.

WTO trade talks and Europe

The World Trade Organization (WTO) is preparing for the December launch of another round of multilateral trade talks. EU trade ministers have voiced their support for the talks and view them as strengthening the multilateral trade system. The EU has expressed its preference for talks that cover a broad spectrum and that require a single undertaking rather than numerous agreements.

An important item on the EU's agenda is to take the offensive with regard to agricultural trade instead of just defending the EU's Common Agricultural Policy. Naturally, France is one of the EU members that believes the talks should bring lower tariffs on high value added agricultural products including wine and cheese; products for which the EU is a major producer.

Environmental issues, competition policy, investment and labor and social standards are items that the EU views as important, but has not pressed to have them on the agenda. The EU has systematically avoided including these items because it is aware of the stern opposition that developing countries maintain with regard to the issues.

European Parliament the lesser known power

The EU consists of a host of entities housed throughout the member states. For instance, Brussels is the main hub, but Frankfurt is home to the European Central Bank, and Parliament divides time between Strasbourg and Brussels. In light of these facts, it is easy to understand why most Europeans believe they do not have much say in this vast and sometimes confusing arrangement.

The EU Parliament, in particular, is one of those entities that most people do not understand. Parliament is an important institution, which EU citizens should come to know. Its positive track record speaks for itself. Parliament was behind the investigation that revealed the corruption of the EU Commission, it sounded warnings to consumers over “mad cow” disease, it developed legislation for tobacco advertising and e-commerce, and is currently working on stricter standards to ensure cleaner fuels. In essence, Parliament’s work is to act in the best interest of the EU’s citizens.

Despite its consumer advocacy, Parliament remains a lesser-known EU entity. After all, most EU citizens do not know the name of their Member of European Parliament (MEP). The outgoing Parliament President, José-Marie Gil-Robles, feels that this situation needs to be rectified. Mr. Gil-Robles hopes that the next group of MEPs will create “a parliament which people will see for the first time as vested with great powers and capacity to use them.”

The euro’s impact after six months

What has been the impact of the euro in the last six months? That depends on whom you ask. According to some businesspersons, the euro has had no effect on their business activities or strategies. Other findings reveal that the euro has prompted businesses to consider alliances, mergers, and acquisitions as well as increase e-commerce. In addition, consumers are showing significant euro usage as indicated in their credit card transactions.

As mentioned, e-commerce is an area that is expected to benefit from the euro’s existence. In fact, most consumers believe that the euro will boost e-commerce.

However, the credit card sector, is reporting the most use of the euro. The Financial Times article, *Euro: Transactions Pick Up*, reported that Europay, through tracking Eurocard and MasterCard cross-border transactions, has found that euro transactions are growing. The reason is largely due to the fact that credit card transactions are the only means for using the euro until the currency's notes and coins are introduced in 2002.

Finl and's wish

Next in line for the EU presidency, Finland has begun revealing what it intends to achieve -- a EU army.

The idea of a single EU army is not new. Back in the 1950s when the EU was the European Coal and Steel Community, there was a movement to create a European Defense Community. Today's idea is to create an army that would serve in a "crisis management" capacity. According to Paavo Lipponen, the Finnish Prime Minister, "each [EU] member country would make troops available, a battalion or more, depending on resources". Unlike NATO, this would allow non-NATO members such as Sweden and Finland to participate.

*****Please note that Jeannie Boone will be responsible for producing and distributing the EU Update starting with the August 1999 edition. If you have any questions on this or future issues please contact Jeannie at tel: (202) 463-8493 or email: jboone@moinc.com***